

Message Text

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ACTION NEA-10

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SUBJECT: MOROCCAN ECONOMY: HIGHLIGHTS CENTRAL BANK REPORT

REF: RABAT 3015; RABAT 2951; RABAT 2796

1. CENTRAL BANK (BANQUE DU MAROC) ANNUAL REPORT DELIVERED TO KING ON JUNE 25. EARLY REPORTS INDICATE FOLLOWING MAIN POINTS OF INTEREST TO WASHINGTON AGENCIES REFLECTING CHANGES OR SUPPLEMENTS TO PREVIOUS ECONOMIC REPORTING AND ANALYSIS.

A. REAL GROWTH 1974 DOMESTIC OUTPUT WAS TO DH 14,640 MILLION (\$3571 M VICE \$3530 M ESTIMATED AT TIME TREND REPORT DRAFTED IN FEBRUARY)--UP 6 PERCENT INSTEAD OF 5 PERCENT REPORTED.

B. NOMINAL GROWTH WAS FROM DH 18,830 M IN 1973 TO DH 23,540 M IN 1974, ALMOST 25 PERCENT.

C. SHARE OF GNP DEVOTED TO INVESTMENT (GROSS CAPITAL FORMATION) ROSE TO 17.8 PERCENT COMPARED TO 15.3 PERCENT IN 1973 WITH TOTAL 1974 INVESTMENT REACHING DH 4,340 MILLION (\$1,058 MILLION).

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D. FOREIGN EXCHANGE RESERVES REACHED DH 540 MILLION (\$132 MILLION). BECAUSE OF RISING IMPORT PRICES THIS REPRESENTS ONLY 3 MONTHS IMPORTS INSTEAD OF 4 MONTHS FOR THE LOWER 1973 FIGURE.

2. REPORT ASSERTS THAT LEVEL OF IMPORTS FOR GOODS AND EQUIPMENT AND FOR FOODSTUFFS CAN BE MAINTAINED, "TAKING ACCOUNT OF THE PROBABLY STABILIZATION (SIC) OF PHOSPHATE RECEIPTS", ONLY BY

A. INCREASED INTERNAL BORROWING TO AUGMENT GOVERNMENT REVENUES AND REDUCE PRESSURE ON PRICES

B. ACCELERATING DEVELOPMENT OF IMPORT SUBSTITUTES

C. REEXAMINING SUBSIDIES PROGRAM WHICH "WHILE JUSTIFIED BY SHORT-TERM SOCIAL CONSIDERATIONS, CANNOT BE MAINTAINED IN THE LONG-RUN WITHOUT ITSELF BECOMING AN INFLATIONARY FACTOR".

3. REPORT PROMISES THAT CENTRAL BANK AUTHORITIES WILL BE VIGILANT IN SEEING THAT MONEY SUPPLY REMAINS CLOSELY RELATED TO RATE OF REAL GROWTH, WHILE ENCOURAGING SAVINGS AND STEPPING UP INTERNAL AND EXTERNAL BORROWING "THEREBY CONTRIBUTING, DESPITE GRAVELY PERTURBED INTERNATIONAL SITUATION, TO BALANCED EXPANSION OF THE DOMESTIC ECONOMY".

4. COMMENT: THOUGH 1974 REAL GROWTH FIGURE MODERATELY HIGHER THAN ESTIMATED, REPORT CONFIRMS MAIN LINES RECENT REPORTING. REFERENCE TO "STABILIZATION OF PHOSPHATE RECEIPTS" IS TO BE READ AS EUPHEMISM FOR FALLING RECEIPTS. NEED FOR HIGHER DOMESTIC AND SUBSTANTIAL FOREIGN BORROWING ALREADY REPORTED REFTELS; LIKEWISE ANTICIPATED REEXAMINATION SUBSIDIES PROGRAMS AND ACCELERATION SELECTED IMPORT SUBSTITUTION INDUSTRIES.
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